

MINUTES OF THE  
MAG MANAGEMENT COMMITTEE MEETING  
April 10, 2013  
MAG Office, Saguaro Room  
Phoenix, Arizona

MEMBERS ATTENDING

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|--|--|
| Tom Remes for David Cavazos, Phoenix       | * Bill Hernandez, Guadalupe              |
| Dr. Spencer Isom, El Mirage, Vice Chair    | Darryl Crossman, Litchfield Park         |
| # Matt Busby for George Hoffman,           | Christopher Brady, Mesa                  |
| Apache Junction                            | * Jim Bacon, Paradise Valley             |
| Charlie McClendon, Avondale                | Carl Swenson, Peoria                     |
| # Stephen Cleveland, Buckeye               | John Kross, Queen Creek                  |
| Gary Neiss, Carefree                       | * Bryan Meyers, Salt River Pima-Maricopa |
| Wayne Anderson for Usama Abujbarah,        | Indian Community                         |
| Cave Creek                                 | Dan Worth, Scottsdale                    |
| Rich Dlugas, Chandler                      | Chris Hillman, Surprise                  |
| Alfonso Rodriguez for Phil Dorchester,     | Andrew Ching, Tempe                      |
| Fort McDowell Yavapai Nation               | * Reyes Medrano, Tolleson                |
| Ken Buchanan, Fountain Hills               | Joshua Wright, Wickenburg                |
| Rick Buss, Gila Bend                       | * Lloyce Robinson, Youngtown             |
| * David White, Gila River Indian Community | John Nelson for John Halikowski, ADOT    |
| Leah Hubbard for Patrick Banger, Gilbert   | John Hauskins for Tom Manos,             |
| Brent Stoddard for Dick Bowers, Glendale   | Maricopa County                          |
| * Brian Dalke, Goodyear                    | Steve Banta, Valley Metro/RPTA           |

\* Those members neither present nor represented by proxy.

# Participated by telephone conference call.      + Participated by videoconference call.

1.     Call to Order

The meeting of the MAG Management Committee was called to order by Vice Chair Spencer Isom at 12:00 p.m.

2.     Pledge of Allegiance

The Pledge of Allegiance was recited.

Stephen Cleveland and Matt Busby joined the meeting via teleconference.

Vice Chair Isom announced that public comment cards were available to members of the public who wish to comment. Parking validation for those who parked in the MAG parking garage was available from staff and transit tickets were available from Valley Metro/RPTA for those who purchased transit tickets to come to the meeting.

3. Call to the Audience

Vice Chair Isom stated that Call to the Audience provides an opportunity to the public to address the Management Committee on items that are not on the agenda that are within the jurisdiction of MAG, or non-action agenda items that are on the agenda for discussion or information only. Those wishing to comment on agenda items posted for action will be provided the opportunity at the time the item is heard. Public comments have a three minute time limit. A total of 15 minutes will be provided for the Call to the Audience agenda item, unless the Committee requests an exception to this limit.

Vice Chair Isom noted that no public comment cards had been received.

4. Executive Director's Report

Dennis Smith, MAG Executive Director, reported on items of interest in the MAG region. He stated that the MAG Regional Council, Economic Development Committee and regional businesses went to Nogales, Sonora, to attend a Binational Economic Forum on March 22, 2013. Mr. Smith stated that attendees visited the German-owned Continental manufacturing plant that produces electronics, such as radios for Chrysler Corporation. He stated that the facility's 1,800 employees are part of the company's 164,000 employees in 46 countries.

Mr. Smith displayed photographs of MAG Regional Council Chair Marie Lopez Rogers and Mayor Greg Stanton speaking at the forum. He noted that approximately 300 people attended the forum, which received press coverage from two national Mexican television networks and numerous newspapers. Mr. Smith remarked how efforts to improve the relationships with Mexico are now being rekindled.

Mr. Smith stated that this trip was a follow-up to the event MAG coordinated in December 2012. Mr. Smith noted that the Arizona Mexico Commission will hold a conference in Paradise Valley on June 14, and one of the speakers will be international global expert Michael Gallis, who will be presenting on the economic connection from Mexico to Canada.

Mr. Smith stated that a follow up to the MAG Freight Transportation Framework Study will be presented on August 29 during the League of Arizona Cities and Towns Annual Conference.

Mr. Smith stated that footage from the Nogales trip will be used in a session on Horizonte to discuss the importance of Mexico. He added that MAG staff will be producing a video that will be available to Channel 11s.

Mr. Smith stated that the City of Obregon, Sonora, Mexico, recently contacted MAG expressing it would like to host an event in their city, similar to the Nogales trip. He explained that Obregon, the second largest city in Sonora, has 12 universities and institutes, and is close to the Port of Guaymas. Mr. Smith stated that the reason David Cavazos was not at the Management Committee meeting is that he and Mayor Stanton were in Mexico. He remarked that there is a lot of activity between this region and Mexico.

Mr. Smith then updated the Committee on the Metropolitan Planning Area Boundary. He said that the map has been submitted to ADOT. Mr. Smith stated that the City of Maricopa and the Town of Florence have passed Resolutions to join MAG and the Gila River Indian Community sent a letter stating that the Community wishes its area in Pinal County be included in the MAG planning area. Mr. Smith stated that MAG and ADOT are working on a package to submit to the Governor.

Mr. Smith reviewed the next steps. He stated that once the Governor approves the Metropolitan Planning Area Boundary for MAG, an amendment to the MAG By-Laws would be considered by the Regional Council. If approved, new members would be approved, followed by the issuance of membership certificates. Mr. Smith noted that Pinal County has not yet submitted a Resolution, but has expressed interest. He stated that new members would then be included in the dues and assessments for FY 2014.

Mr. Smith then reported good news on the foreclosed and pending foreclosure residential properties. For March 2013, 4,981 homes were foreclosures and 9,188 were pending foreclosure, for a total of 14,169 distressed properties. He noted that this is in contrast to the 63,182 distressed properties in March 2010. Mr. Smith advised that the normal number for distressed properties is approximately 8,000.

Mr. Smith announced MAG staff's most recent naturalized citizen, Vladimir Livshits, and spoke of his path to citizenship as it led from Russia, to Israel, to Canada, and then to the United States. Mr. Smith then reviewed the list of other MAG staff members who have become citizens, Monique de los Rios Urban, Sarath Joshua, Farhana Baki, Petya Maneva, Taejoo Shin, Anubhav Bagley, Lora Mwaniki-Lyman, Jorge Luna, and Samantha Wolfe. He noted that they have filled highly specialized positions at MAG that require high level skills.

Vice Chair Isom thanked Mr. Smith for his report. No questions for Mr. Smith were noted.

5. Approval of Consent Agenda

Vice Chair Isom stated that agenda items #5A, #5B, #5C, #5D, #5E, and #5F were on the Consent Agenda.

No requests for public comment were received.

Vice Chair Isom asked members if they had questions or requests to hear a presentation on any of the Consent Agenda items. None were noted. He asked if there were any requests to remove an item from the Consent Agenda. None were noted.

Mr. McClendon moved to recommend approval of Consent Agenda items #5A, #5B, #5C, #5D, #5E, and #5F. Mr. Buchanan seconded. Vice Chair Isom asked if there was any discussion of the motion. Being none, the vote on the motion passed unanimously.

5A. Approval of the March 13, 2013, Meeting Minutes

The MAG Management Committee, by consent, approved the March 13, 2013, meeting minutes.

5B. On-Call Consulting Services Selection for Bottleneck Data Collection, Model Validation and Improvement

The MAG Management Committee, by consent, recommended approval of the list of on-call consultants for Area of Expertise A (Traffic Bottleneck Data Collection and Analysis): American Digital Cartography, Cambridge Systematics, CDM Smith, Lee Engineering, Iteris, Midwestern Software Solutions, Skycomp, Texas Transportation Institute, Traffic Research & Analysis, and United Civil Group, and for Area of Expertise B (Transportation Model Development and Application): Arcadis, Atkins, Caliper, Cambridge Systematics, CDM Smith, Parsons Brinckerhoff, Texas Transportation Institute, for the Bottleneck Data Collection, Model Validation and Improvement, for a total amount not to exceed \$400,000. The Fiscal Year (FY) 2013 MAG Unified Planning Work Program and Annual Budget, approved by the MAG Regional Council in May 2012, includes On-call Consulting Services for Bottleneck Data Collection, Model Validation and Improvement. The purpose of the project is to collect bottleneck data for the validation and update of MAG regional models, the analyses of collected bottleneck data, and application of the data for improvements to regional transportation models. A request for qualifications was advertised on January 18, 2013 for technical assistance including two areas of expertise: (A) Traffic Bottleneck Data Collection and Analysis; and (B) Transportation Model Development and Application. Fourteen proposals were received by the February 26, 2013, deadline. On March 7, 2013, the agency staff on the multi-agency evaluation team recommended consultants to MAG to perform the technical assistance.

5C. MAG Strategic Transportation Safety Plan Consultant Selection

The MAG Management Committee, by consent, recommended approval of the selection of Lee Engineering, LLC, to develop the MAG Strategic Transportation Safety Plan for an amount not to exceed \$300,000. The FY 2013 MAG Unified Planning Work Program and Annual Budget, approved by the MAG Regional Council in May 2012, includes a project to develop a comprehensive Strategic Transportation Safety Plan (STSP) with a budget of \$300,000. The previous STSP was developed by the MAG Transportation Safety Committee in 2005. The new STSP will help establish a unified approach for identifying and implementing solutions for key road safety issues that affect all MAG member agencies. The STSP will identify regional priorities, strategies, resource needs and appropriate road safety performance measures. The STSP will also provide input to the next update of the Regional Transportation Plan (RTP) from a transportation safety perspective. A request for proposals was advertised on January 18, 2013, to select a qualified consultant. Three qualifying proposals were received and reviewed by a multi-agency evaluation team, who recommended to MAG the selection of Lee Engineering, LLC, for developing the STSP. On March 26, 2013, the Transportation Safety Committee recommended the selection of Lee Engineering, LLC, for developing the STSP.

5D. MAG Intelligent Transportation Systems and Transportation Safety On-Call Services Consultant Selection

The MAG Management Committee, by consent, recommended approval of the lists of consultants for the ITS and Transportation Safety Planning on-call services, for the following areas of expertise: (1) Traffic Engineering, (2) ITS Planning, (3) ITS Operations Planning, (4) ITS

Training, (5) ITS Evaluation & Feasibility Studies, (6) ITS Modeling and Supporting Services (7) Regional Fiber Network Planning and Management (8) Transportation Safety Planning. The FY 2014 MAG Unified Planning Work Program and Annual Budget, anticipated to be approved by the MAG Regional Council in May 2013, includes a number of projects to be executed in the areas of Intelligent Transportation Systems (ITS) and Transportation Safety. These projects will be executed through on-call consultant contracts with qualified consultants selected in eight areas of technical expertise. A request for qualifications was advertised on January 31, 2013. Two multi-agency selection panels evaluated the statements of qualifications and recommended the selection of a number of qualified consultant teams in each of the areas of expertise. On March 26, 2013, the MAG Transportation Safety Committee recommended approval of a ranked list of consultants for Transportation Safety projects. On March 27, 2013, the ITS Committee recommended approval of consultants for seven areas of technical expertise.

5E. Amendment to the Contract for the Central Phoenix Transportation Framework Study to Initiate Downtown Phoenix Core Connections and Operations Studies

The MAG Management Committee, by consent, recommended approval to increase the Central Phoenix Transportation Framework Study contract with Wilson and Company, Inc. by \$380,000 to conduct the additional work for the Central Phoenix Transportation Framework Study. The FY 2010 MAG Unified Planning Work Program and Annual Budget, approved by the MAG Regional Council in May 2009, includes \$600,000 to conduct Phase I of the Central Phoenix Transportation Framework Study. The FY 2011 MAG Unified Planning Work Program and Annual Budget, approved by the MAG Regional Council in May 2010, included an additional \$600,000 to conduct Phase II of the project. This study is developing a multimodal transportation framework for the study area that will likely be implemented at multiple jurisdictional levels and includes portions of, or all of, the Cities of Chandler, Glendale, Paradise Valley, Peoria, Phoenix, Tolleson, Scottsdale, and Tempe, and the Town of Guadalupe. Phase II of the study is nearing completion and the results will be presented to the MAG committees this summer. A recent study workshop recommended identifying better connections by improving traffic and transit operations between the Regional Freeway System and the Downtown Phoenix Core. The City of Phoenix is requesting to advance this study's recommendation by amending the Unified Planning Work Program and Annual Budget to use the Central Phoenix Transportation Framework Study foundation with additional services to provide study details about these improved connections. A combination of Regional Area Roadway Fund (RARF) and City of Phoenix contributions has been identified for these services.

5F. Status of Remaining MAG Approved PM-10 Certified Street Sweeper Projects That Have Not Requested Reimbursement

A status report was provided on the remaining PM-10 certified street sweeper projects that have received approval, but have not requested reimbursement. To assist MAG in reducing the amount of obligated federal funds carried forward in the MAG Unified Planning Work Program and Annual Budget, MAG is requesting that street sweepers be purchased and reimbursement be requested by the agency within one year plus ten calendar days from the date of the MAG authorization letter.

6. ADOT Passenger Rail Study, Tucson to Phoenix

Mike Kies, from the Arizona Department of Transportation (ADOT), provided an update on the ADOT Passenger Rail Study from Tucson to Phoenix. Mr. Kies stated that setting a vision for the transportation system in Arizona for 2050 resulted from the Building a Quality Arizona (BQAZ) process in 2010. He said that passenger rail was part of the vision.

Mr. Kies displayed a map of possible intercity rail, commuter rail, and passenger rail corridors. He stated that implementation was then studied, with the Phoenix to Tucson corridor the highest priority in the feasibility study.

Mr. Kies then explained the passenger rail corridor study process and indicated that the alternatives analysis is being completed, after which they will complete their deliverables. Mr. Kies stated that two processes were blended into this one study – from the Federal Railroad Administration and the Federal Transit Administration – who are co-leads on the study.

Mr. Kies stated that seven preliminary alternatives will be presented to the public and agencies to distill down to a couple of preferences. He noted that one bus option on Interstate 10 is one of the alternatives to provide express bus service between Tucson and Phoenix. Mr. Kies stated that the alternatives include six rail options, including one that follows the Interstate 10 alignment, one that follows the Union Pacific alignment, and combination alternatives.

Mr. Kies stated that they conducted a three-legged process on the alternatives: (1) outreach to the public to get comments; (2) coordinate with 46 agencies in Maricopa and Pinal counties; (3) conduct technical analyses of the alternatives. Mr. Kies then reported on the outreach they conducted – he said almost 7,000 surveys were completed by the public, which is a significant amount.

Mr. Kies stated that survey respondents were asked their preferred travel choice between Tucson and Phoenix and more than 77 percent responded train. He noted that the respondents also indicated preference for alternatives in the East Valley. Mr. Kies stated that they will be taking two alternatives forward to the EIS and select a locally preferred alternative. He noted that the two alternatives have not yet been fully vetted, but he thought one alternative would follow Interstate 10 from Phoenix to Tucson and one alternative would access eastern Pinal County and the East Valley of the Phoenix Metro area.

Mr. Kies also noted some orange areas on a map that indicate areas that will be evaluated in the EIS, called common corridors. He said that the final alternative will have one alignment that goes as far west as Surprise and Buckeye, one common corridor to Tempe, and one corridor from Picacho to Tucson.

Mr. Kies noted the schedule and next steps, which includes continuing coordination and support from local agencies; completing the Final Alternatives in Spring 2013; completing the Draft EIS in Fall 2013, followed by a 45-day public comment period and public hearings. Mr. Kies stated that a Final EIS and final report is anticipated by early 2014. He stated that the Final EIS will document the locally preferred alternative. Mr. Kies stated that the Service Development Plan, which is an implementation plan, will then be created.

Vice Chair Isom thanked Mr. Kies for his report and asked members if they had questions.

Mr. Brady stated that the EIS represents a huge effort and he asked if it would take into account the costs of the two alternatives, for example, one might have more right of way donations, to enable decision makers to decide which alternative could actually be delivered. Mr. Brady stated that it seemed they would always want to have two alternatives – one as a backup – without having to start over. Mr. Kies replied that they are evaluating six major criteria categories and the evaluation is broken down into three levels. Mr. Kies stated that the preliminary alternatives are Level Two and as they get into Level Three, the criteria become more specific. He stated that one of the categories is financial feasibility, where they will measure the cost, operating cost, and ridership revenue. Mr. Brady commented that if you do not have willing participation it seems that it could be difficult to do a project of this magnitude without a backup alternative.

7. Development of the FY 2014 Unified Planning Work Program and Annual Budget

Rebecca Kimbrough stated that the MAG Unified Planning Work Program and Annual Budget is developed incrementally in conjunction with member agency and public input. She said that staff positions are being requested for a Senior Transportation Engineer, a Transportation Engineer I/II, a Transportation Planner I, and an Information Technology Records and Data Management Analyst II to assist in maintaining databases as well as overseeing the implementation of a records management policy at MAG. To assist the Senior Transportation Engineer, an associate request has been added for \$80,000; this support is needed to provide additional oversight of the studies that provide information in delivering the Regional Freeway and Highway program.

Ms. Kimbrough stated that a salary increase for FY 2014 is being proposed. She advised that due to the downturn in the economy, MAG did not propose a salary increase in 2010. Ms. Kimbrough stated that in 2011, MAG proposed a salary increase based on the results of an independent compensation study that was performed in the spring of 2010. Since that time, one other increase was proposed – in FY 2013. Ms. Kimbrough stated that a proposed salary increase of up to five percent is being proposed for FY 2014, and any increases to individual MAG salaries would be performance based. MAG staff receive an annual performance evaluation each June and, based on their performance for the year, may receive a salary increase if included in the budget. The total proposed increase for FY 2014 would not exceed a maximum of \$370,000.

Ms. Kimbrough reported on the Intermodal Planning Group meeting that was held April 3, 2013. She explained that this meeting included a review and comments on the draft FY 2014 MAG budget by the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the Arizona Department of Transportation (ADOT), and other related parties. Ms. Kimbrough stated that presentations were given by MAG, the City of Phoenix, and Valley Metro. She noted that these presentations were well received and discussions among the group on the elements of the Work Program were positive and in-depth. Ms. Kimbrough stated that as a result of this meeting, MAG and ADOT are forming two working groups to exchange information on certain projects and invoicing. She noted that at the meeting, the FHWA said that the Mag Work Program is a very good document, and FTA said that they appreciate the MAG review process.

Ms. Kimbrough added that any formal comments from this meeting will be passed along to the Management Committee.

Ms. Kimbrough stated that MAG is awaiting word from the Governor's Office on the planning boundaries to complete the final draft of the proposed FY 2014 Work Program. She noted that input on the development of the Work Program was requested.

Vice Chair Isom thanked Ms. Kimbrough for her report. No questions or comments from the Committee were noted.

8. Regional Economic Update

Lora Mwaniki-Lyman, MAG staff, provided a report on the region's economy. She noted that certain macro and regional economic trends are setting the stage for accelerated growth in the U.S. in the near to mid future. Ms. Lyman said that these same factors are contributing to Maricopa County's economic growth which has experienced improvement in the housing market, labor market, and consumer spending, however, Maricopa County is still behind the nation and select peer cities in recovering jobs and home values lost during the recession. This means there is room for improvement and growth. Ms. Lyman stated that Maricopa County's economy is anticipated to gain momentum, however, certain events could delay higher growth in the near future.

Ms. Lyman noted that economic data released in the second half of 2012 and first quarter of 2013 continue to indicate continued and consistent economic growth in the U.S. and Maricopa County. In addition, certain macro and regional economic trends are evident: She said that the rise in home prices has boosted consumer net worth and is stimulating spending; corporate profits are at record highs, positioning corporations to make capital investments or reinvestments when the business environment improves; industrial production is close to the pre-recession level and showing improvements in manufacturing sectors; the economies of U.S. and Arizona's top export destinations continue to grow at rates higher than the U.S.

Ms. Lyman stated that consumer net worth is on the rise since the first quarter of 2009 but is still below the pre-recession, third quarter of 2007 levels. She noted that the rise in net worth is mostly attributed to rising home values as foreclosure properties clear the market and households refinance their homes and restructure their debt. Ms. Lyman stated that personal incomes have recovered at a faster rate than consumer net worth. The U.S. economy has created five million jobs since the end of the recession.

Ms. Lyman stated that corporate profits were at a record 11 percent in 2012, which positions companies to make capital reinvestments or new investments as the business environment improves. It is estimated that about 50 percent of the corporate profits are from manufacturing and financial institutions that have a global reach. She noted that individuals are taking home less income as a share of national income – 44 percent in 2012 – a record low.

Ms. Lyman stated that the World Economic Outlook by the International Monetary Fund for January 2013 projects the U.S. economy will grow three percent in 2014. China is projected to continue growing at close to 8.5 percent. Mexico, Arizona's top export destination, has the highest



projected growth rate among the NAFTA partners of 3.5 percent. Ms. Lyman stated that a World Bank Group study determined that 17 percent of Mexico's population joined the middle class in the last decade, demanding a better quality of life, services, and products. This means more market opportunities for U.S. exports.

Ms. Lyman stated that inflation in the Phoenix-Mesa-Glendale metro area was 2.2 percent in 2012, within the Federal Reserve Bank's near-term inflation expectations of half a basis point above or below its long-term target of two percentage points.

Ms. Lyman reported that the number of jobs in Maricopa County increased two years in a row, and as of January 2013, has recovered 120,000 of the close to 300,000 jobs lost during the recession. Sectors leading out of the recession include state and local government, education and health (which were the only recession proof sectors) and tourism-sensitive sectors (which includes retail, and leisure and hospitality).

Ms. Lyman noted that Maricopa County's economy lags behind the U.S. average in recovering jobs lost during recession. She added that it has recovered 40 percent of the jobs lost while the U.S. average is at 45 percent as of January 2013. Ms. Lyman stated that this is probably due to this region being among the hardest hit by the housing market crisis.

Ms. Lyman noted that the Phoenix-Mesa-Glendale metro area is leading the nation in home price appreciation, which rose by about 23 percent in December 2012 compared to December 2011. She advised that the regions that were hardest hit by the housing market crisis are also the ones leading in the rebounds in home values. She added that people are finding it easier to relocate as the housing market recovers. For the first time in four years, the Phoenix-Mesa-Glendale metro area reported positive net migration in 2012, which should continue to boost the housing market. While the Phoenix metro area leads other metro areas in home price appreciation, it has a way to go before home prices reach pre-recession levels. The regions with the largest housing market busts are also the regions which will take longer to recover to the pre-recession levels.

Ms. Lyman stated that the housing market boom of 2005 and 2006 created wealth for many households in Maricopa County. As a result Maricopa County's per capita personal income rose higher than the U.S. average in those two years, however, the financial crisis shifted the region's per capita personal income levels to below the U.S. average. Ms. Lyman advised that the region will need to create high-paying jobs to get back to its initial personal income growth trajectory.

Ms. Lyman stated that the rising housing market is fueling increased optimism and helping stimulate spending, especially on durable goods such as motor vehicles. Consumer spending on automobiles is up, but is still 40 percent below peak levels (2007). Ms. Lyman stated that most recently released aggregate retail sales total (2012) for Maricopa County indicates that the retail sales spending level of consumers is back to pre-recession spending levels.

Ms. Lyman concluded that overall, the region's economy is expected to continue experiencing increased economic growth. She said that the housing market will continue to rebound and home prices appreciate back to the pre-bubble and bust trends. Ms. Lyman stated that the service sector will continue to lead in job creation, however, there are opportunities to accelerate economic growth through innovative business attraction and retention policies targeting corporations,

especially manufacturing and financial companies, as they determine new locations for capital investments. Ms. Lyman stated that small and medium size enterprises are still lagging in the recovery and unlike larger corporations have less access to capital and are still experiencing a tight credit environment.

Ms. Lyman indicated that certain events could slow down the recovery and hinder accelerated growth. Ms. Lyman stated that sequestration was implemented on March 1, 2013, with the continuing Resolution for the remaining six months of FY 2013 providing defense with some flexibility in implementing the cuts. Ms. Lyman stated that it is believed that the effects of sequestration will be slow and economic data is only just beginning to capture the effects of the spending cuts. State and local governments will bear the burden of the federal spending cuts. Ms. Lyman stated that any discussions around a balanced approach to debt reduction have effects on corporate tax liability. Corporations may choose to hold off their long-term decisions on capital investments until a fiscal plan is agreed upon or the uncertainty around debt reduction is reduced.

Ms. Lyman stated that other events that could slow down the economy include certain features of the American Affordable Care Act being rolled out this year with full implementation effective next year. Ms. Lyman stated that at the global level, Europe is in a recession, which means a declining demand for U.S. exports. Policies on austerity could have contingency effects on the U.S. through the financial system.

Vice Chair Isom thanked Ms. Lyman for her report and asked if there were any questions.

Mr. Smith noted that Ms. Lyman's presentation was available on the MAG website. In addition, she would present at City Council meetings if requested.

9. Transportation Funding Overview

Eric Anderson, MAG Transportation Director, provided an update on transportation funding. Mr. Anderson stated that the MAG region has three sources of transportation funds: sales tax funds, Highway User Revenue Funds (HURF), and federal transportation funds. He noted that HURF is primarily used for the maintenance of streets and roads.

Mr. Anderson noted that Proposition 400 revenues started to go negative in September 2007 and this trend continued for 39 months. He noted that the negative growth in sales tax required a rebalancing of the highway, arterial streets, and transit programs. Mr. Anderson stated that peak revenue in FY 2007 was approximately \$391 million, and FY 2012 revenue was approximately \$323 million.

Mr. Anderson displayed a chart of projections done in 2003 for the Regional Transportation Plan and compared it to current sales tax projections – a gap of about \$6.6 billion. He noted that the 2003 revenue projection was approximately \$14 billion, and that figure has been revised to approximately \$8.5 billion to accommodate lower revenue. He noted that there has been some recovery – sales tax revenue was up about four percent this year – but about ten years of revenue growth and economic activity were lost.

Mr. Anderson discussed sources and uses of the HURF, which is another major source of transportation funding. He said that 2012 revenue totaled approximately \$1.2 billion, which is about the same as 2004 revenue. Mr. Anderson stated that approximately \$235 million (almost 20 percent) is allocated for other uses, such as the Department of Public Safety and State General Fund. Mr. Anderson noted that State law limits Other Uses to \$20 million per year, but the Legislature has chosen to waive this restriction.

Mr. Anderson displayed a comparison of the 2003 and current projections for the HURF. He noted that the growth prospects for HURF are much worse than the sales tax. Mr. Anderson pointed out a \$7.5 billion reduction over the life of the RTP in HURF projections.

Mr. Anderson compared uses of the HURF revenue, which is vital to municipalities for their streets. He said that in 2000, cities received approximately \$306 million, or 30 percent, of the approximate \$1 billion in HURF revenue. In 2012, even though revenue was higher (approximately \$1.2 billion), cities received less (approximately \$304 million, or 25 percent). Mr. Anderson pointed out that in 2000, \$25.5 million was diverted to the Other Purposes category (to the Department of Public Safety and/or General Fund). In 2012, this amount increased to approximately \$235 million – ten times the amount 12 years previously.

Mr. Anderson stated that over the years, threats to the HURF besides diversions, have included the fixed tax per gallon of gas with no adjustment for inflation, increased fuel economy standards, increased utilization of alternative fuel vehicles, reduced driving due to increased gas prices, and reduced growth in the vehicle license tax.

Mr. Anderson stated that the gas tax and diesel usage tax represent more than half of the HURF and 92 percent of the source of national funding. He stated that the gas tax is fixed at 18 cents per gallon in most states, the same amount since 1991. Mr. Anderson noted that if the tax was indexed for inflation with the consumer price index, the gas tax amount would now be 30 cents per gallon. Mr. Anderson advised that this could have meant an additional \$400 million of revenue in Arizona for 2012. He stated that fuel economy standards for new cars per federal guidelines are expected to continue to improve – to 56.5 miles per gallon in 2025 from the current 33 miles per gallon – and this impacts the gas tax collections. Mr. Anderson stated that due to the increase in fuel economy, the gas tax rate in 25 years is expected to see a 25 percent reduction in revenue, which becomes 35 percent to 40 percent when inflation is factored in.

Mr. Anderson stated that there is a movement to liquefy natural gas, which has no fuel taxes. He stated that one of the executives in a trucking firm expressed that he did not think there would be a significant impact, but ten percent of 18-wheelers using alternative fuel would have an impact on fuel taxes. He noted that the diesel fuel tax comprises approximately 52 percent of the HURF revenue. Mr. Anderson stated that vehicle license tax revenue has also been negatively impacted by the recession because people were holding off on purchases of new vehicles.

Mr. Anderson stated that to deal with these issues, 33 states have raised their gas taxes over the last 20 years, but not Arizona. He said that Arizona ranks near the bottom, at 14 cents per gallon, and the average in surrounding states is approximately 30 cents per gallon. Mr. Anderson stated that transportation infrastructure is being discussed in other states – it was mentioned in 14 state-of-the-state addresses. He explained that Nevada has a local option gas tax that counties can

choose to impose, for example, Washoe County indexes federal, state, and local gas taxes for inflation keeps the revenue locally.

Mr. Anderson stated that legislation about to be signed by the Governor in Virginia replaces the cents per gallon tax with a percentage tax. In Wyoming, legislation was enacted to increase the 14 cents per gallon gas tax to 24 cents per gallon. In Maryland, the Transportation Investment Act of 2013 reduces the per gallon gas tax but indexes the gas tax rate to inflation. Mr. Anderson stated that Oregon is going to require per mile fees for high efficiency vehicles after 2015, but there are privacy concerns with that method.

Mr. Anderson stated that other states fund transportation with such things as general funds, fuel taxes, and department of motor vehicle fees. He displayed a chart of the gas tax rates by state, and noted that the highest rate is in New York, at 50 cents per gallon, and Alaska is the lowest at 18 cents per gallon.

Mr. Anderson stated that the HURF needs to be fixed by stopping the diversions and returning the fund to the statutory limit of \$20 million annually; raising the fuel tax and indexing it for future inflation; and replacing the fuel tax with alternative mechanisms, but this appears to be a non-starter politically.

Mr. Anderson stated that a comment was made at a recent AGC meeting that constituents complain about other issues – education, health care, immigration, or guns – but rarely complain about transportation funding. The transportation system works so well it is a victim of its own success. In addition, it is fairly young infrastructure, but the fact that it will need rehabilitation in the future as it ages is not on the radar screen of legislators or citizens. He said that the current structure of tax on fuel is not sustainable, and he added that there are vehicles that use alternative fuels that are not taxed.

Mr. Anderson noted how Congress has had to supplement the national Highway Trust Fund with general fund revenue of about \$17 billion per year for the past couple of years. Mr. Anderson stated that the cumulative shortfall for 2015 through 2023 is estimated at \$92 billion. He remarked that a more sustainable level of funding is needed.

Mr. Anderson discussed a graph of two federal budget proposals. He said that Senator Murray's budget tries to maintain the current spending levels over the next ten years, but no increase. Congressman Ryan's budget proposal keeps the Highway Trust Fund solvent, but would require filling in the gaps with an increase in the federal gas tax, alternative funding sources or subsidies. He noted that it follows the revenue streams of the Highway Trust Fund, which is on a reimbursement basis. Mr. Anderson commented that there would be deep impacts if transportation funding was tied only to Highway Trust Fund revenue and this region would likely receive about 30 percent less funding.

Vice Chair Isom thanked Mr. Anderson for his report and asked if there were questions.

Mr. Smith stated that Maricopa County passed the Proposition 400 sales tax, but rural Arizona does not have this type of revenue. He asked Mr. Anderson to report on what is happening in the rest of the state. Mr. Anderson stated that this year, ADOT had to move \$350 million from its

five-year highway program to accommodate lower revenue, and this means that the rest of the state is on a maintenance-only budget, and ADOT is even having trouble meeting the federal match of 5.7 percent for each dollar. Mr. Anderson remarked that Proposition 400 has provided some relief to this region, but there is absolutely no money for expansion projects outside of Maricopa and Pima counties. He stated that figures show there will be only \$68,000 available for 2017. Mr. Anderson said that at a meeting with AGC and the RTAC the effort for a statewide transportation measure was discussed. He spoke of the TIME Coalition effort in 2008, which was for a half-cent sales tax over 40 years. Mr. Anderson stated that Pima, Maricopa, and Pinal Counties represent 84 percent of the sales tax collected in the state. Those counties would need to be donor counties if there was a statewide sales tax in Arizona. Mr. Anderson stated that the 2008 TIME Coalition plan would give Maricopa County approximately 74 percent of sales tax collected. He said that staff would continue to monitor statewide efforts for the 2014 ballot.

Mr. Smith reviewed some options: (1) Lengthen the life of the sales tax. He said that San Diego's tax is a 40-year tax, and he noted there are concerns that the sales tax rate in the MAG region is too high already. (2) Property tax because they could be tied into the benefits received from improvements. (3) Fuel tax adjustment, but this would not be helpful in the long-term. Mr. Smith stated that more creative solutions are needed to find revenue that would help not only streets but also transit. He stated that it does not look like the federal government is going to come forward and it is up to us.

Mr. Hauskins commended Mr. Anderson for his report. He expressed his agreement that HURF transfers for other uses need to stop and that creative solutions are needed to get proper funding. Mr. Hauskins stated that it will take much collaboration to arrive at something that is workable and sellable. He said that in the past, there was an idea and then people went out to gain support, rather than having more collaboration up front to form the idea.

Mr. Hillman stated that in Utah, he was able to overlay different types of districts to help pay for transportation projects. They had Benefit Districts, Economic Development Districts and TIF Districts, which helped coordinate the federal, state, and local money to the point there are participation requirements, which allowed funds to be leveraged. Mr. Hillman stated that they can be successful and he thought they were something this region should look at. He added that success would require help from the Legislature. Mr. Hillman agreed with getting everyone around the table first and incorporating ideas and suggestions.

Mr. Stoddard expressed his agreement with Mr. Hauskins and Mr. Hillman. He said that Proposition 400 was the model to bring everyone to the table and get buy in, and transportation initiatives that were unsuccessful did not do that. Mr. Stoddard stated that it will take the desire of the State Legislature and local elected officials, but also the utilization of the Proposition 400 model.

Mr. Cleveland stated that the Town of Buckeye would be willing to participate in further discussion of the pros and cons of the CFD model as a financing tool.

Mr. Smith stated that small groups will have preliminary discussions. He noted that there are a lot of players involved – the housing industry and the development community – and if they do not see benefits, we will not gain their support.

10. Legislative Update

No report.

11. Request for Future Agenda Items

Topics or issues of interest that the Management Committee would like to have considered for discussion at a future meeting were requested.

No requests were noted.

12. Comments from the Committee

An opportunity was provided for Management Committee members to present a brief summary of current events. The Management Committee is not allowed to propose, discuss, deliberate or take action at the meeting on any matter in the summary, unless the specific matter is properly noticed for legal action.

Vice Chair Isom noted that the Managers Working Group to Review Transportation Funding will meet from 2:30 p.m. to 4:00 p.m., on April 29, 2013, in the MAG Ironwood Room.

Adjournment

There being no further business, the meeting was adjourned at 1:14 p.m.

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Chair

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Secretary